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HOUSE BILL 594 By
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SENATE BILL 980
By Crutchfield

AN ACT to amend Tennessee Code Annotated, Title 8, Chapter 34, to enact the "Educators' Deferred Retirement Option Plan".

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 8, Chapter 34, is amended by adding Sections 2 through 10 as a new part to be appropriately designated.

SECTION 2. This part shall be known and may be cited as the "Educators' Deferred Retirement Option Plan".

SECTION 3. For the purposes of this part, "teacher" means an employee as defined in Section 49-5-501(10).

SECTION 4. The state treasurer shall develop a deferred retirement option plan, hereinafter referred to as the DROP, under which teachers may elect to participate, deferring receipt of retirement benefits while continuing employment with a local education agency. The deferred monthly benefits shall accrue on behalf of the participant, plus interest and cost-of-living adjustments, for the specified period of the DROP participation.

SECTION 5. A member of the Tennessee Consolidated Retirement System, established under § 8-34-201, employed in a local education agency as a teacher is eligible to participate in

the DROP provided that such member has reached service retirement eligibility based on years of credible service or age under § 8-36-201.

SECTION 6. During the period when an employee participates in the DROP, neither the state nor the local education agency shall fund the employer contributions for the employee under Title 8, Chapter 3.

SECTION 7. Any teacher that participates in the DROP will retain full employment rights and benefits, including salary, with the following exceptions:

(1) The teacher shall not be entitled to tenure status as provided in Title 49, Chapter 5, Part 5;

(2) The teacher shall not be considered a “professional employee” for the purposes of Title 49, Chapter 5, Part 6; and

(3) During the period when the teacher participates in the DROP, such teacher shall not accrue additional service credits under Title 8, Chapter 34, and the average final compensation component of the teacher’s benefit calculation shall not increase.

SECTION 8. Retirement benefits that accumulate in the DROP shall earn interest at a rate of five percent (5%) per year or the employee may invest the amount within the options prescribed by the state treasurer. In addition, retirement benefits that accumulate in the DROP shall receive annual cost-of-living adjustments according to the provisions of § 8-36-701.

SECTION 9. An eligible employee may participate in the DROP for a period not to exceed five (5) years. Upon completion of the DROP, the employee shall not be eligible for employment with any agency or department covered under the Tennessee Consolidated Retirement System; however, the employee may be re-employed under the guidelines set by Title 8, Chapter 36, Part 8.

SECTION 10. Upon completion of the DROP, the participant shall receive the DROP benefits in one of the following manners:

(1) Lump sum. All accrued DROP benefits, plus interest, less withholding taxes remitted to the Internal Revenue Service, shall be paid to the DROP participant or surviving beneficiary.

(2) Direct rollover. All accrued DROP benefits, plus interest, shall be paid from the DROP directly to the custodian of an eligible retirement plan as defined in § 402(c)(8)(B) of the Internal Revenue Code.

(3) Partial lump sum. A portion of the accrued DROP benefits shall be paid to the DROP participant or surviving spouse, less withholding taxes remitted to the Internal Revenue Service, and the remaining DROP benefits shall be transferred directly to the custodian of an eligible retirement plan as defined in § 402(c)(8)(B) of the Internal Revenue Code. However, in the case of an eligible rollover distribution to the surviving spouse of a deceased participant, an eligible retirement plan in an individual retirement account or an individual retirement annuity as described in § 402(c)(9) of the Internal Revenue Code. The proportions shall be specified by the DROP participant or surviving beneficiary.

SECTION 11. The state treasurer is authorized to promulgate rules and regulations to effectuate the purposes of this act. All such rules and regulations shall be promulgated in accordance with the provisions of Tennessee Code Annotated, Title 4, Chapter 5.

SECTION 12. This act shall take effect July 1, 2001, the public welfare requiring it.